

Canadian Cottons

LIMITED

Twenty-sixth
ANNUAL REPORT
for Year Ended
March 31st
1936

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CANADIAN COTTONS, LIMITED

HEAD OFFICE: MONTREAL

Operating

ONTARIO MILL, HAMILTON, ONT.
STORMONT MILL, CORNWALL, ONT.
DUNDAS MILL, CORNWALL, ONT.
CANADA MILL, CORNWALL, ONT.
ST. CROIX MILL, MILLTOWN, N.B.
GIBSON MILL, MARYSVILLE, N.B.

Subsidiary

CORNWALL AND YORK COTTON MILLS COMPANY, LIMITED
SAINT JOHN, N.B.

Operating

CORNWALL MILL YORK MILL

OFFICERS

A. O. DAWSON, LL.D.	<i>President and Man. Director</i>
GEORGE CAVERHILL	<i>Vice-President</i>
R. G. TOLMIE	<i>General Manager</i>
HUGH M. WATSON, A.C.I.S.	<i>Secretary</i>
K. L. HAMILTON	<i>Treasurer</i>

DIRECTORS

SIR H. MONTAGU ALLAN, C.V.O.
W. A. BLACK
GEORGE CAVERHILL
A. O. DAWSON, LL.D.
F. E. MEREDITH, K.C., LL.D.
W. J. MORRICE
R. G. TOLMIE

TWENTY-SIXTH ANNUAL REPORT OF THE DIRECTORS OF CANADIAN COTTONS, LIMITED, AS PRESENTED TO THE SHAREHOLDERS AT THE ANNUAL MEETING OF THE COMPANY, HELD AT MONTREAL, FRIDAY, MAY 29TH, 1936, AT 12.30 P.M.

To the Shareholders:—

Your Directors have pleasure in submitting the Twenty-Sixth Annual Report of your Company, together with Balance Sheet as at March 31st, 1936, and Profit & Loss Account for the twelve months' period ended on that date.

Taking into consideration the serious crop losses sustained in the Summer and Fall of 1935 by our Western Provinces from drought, rust, frost and grasshoppers, which affected materially sales in these Provinces, your Directors believe that the results revealed in the accompanying Manufacturing and Profit & Loss Statements will be found satisfactory by the Shareholders of the Company.

The net profit for the year, including profit made on sales of securities and on Bonds purchased for the Sinking Fund, amounted to \$222,814.16, as compared with \$351,989.09 for the year previous.

The Preferred Shareholders of the Company received their usual Dividend of 6%, amounting to \$219,690.00, and \$108,620.00 was distributed among the Common Shareholders, being at the rate of 4% per annum on their holdings.

As will be noticed, only a small amount was earned to apply to the Common Dividend, but as the withholding of same would have meant privation and distress to many of the Shareholders your Directors deemed it wise to make an appropriation from the Profit & Loss surplus to permit of the usual dividend on the Common Stock being paid.

Your Company's surplus now stands at \$1,979,684.30 as against \$2,085,180.14 on March 31st, 1935, a decrease of \$105,495.84.

During the year under review the Bonds of the Company due in 1940 were redeemed and paid for through the sale of other securities, and these will no longer appear in your financial statement.

It is difficult to prophesy in regard to the outlook for business for the year 1936-37 for the following reasons:—

1. World unrest, with a possibility of war both in Europe and the Far East.
2. Uncertainty regarding the acreage planted and the volume of the cotton crop that will be harvested in the Fall of the present year.
3. Uncertainty as to how the United States Government will make disposition of the large quantity of raw cotton that it still owns or controls.
4. The question as to whether our Government is going to continue to exact the Excise Tax on raw Cotton and other supplies that must be purchased from the United States for the use of your Mills, while at the same time allowing manufactured Cotton goods to be brought in from Britain minus the Excise Tax.
5. Uncertainty as to how seriously your Rayon Plant and other Mills will be affected by the relaxation of restrictions on goods now being imported into this country from Japan. Unless adequate steps are taken by our Government to remedy the present situation heavy curtailment of production will be necessary, resulting in a further deplorable increase in the number of workers seeking employment.
6. The new Trade Agreement between Canada and the United States has not been in force for a sufficient length of time to judge as to what extent the Textile trade of this country will be affected. Undoubtedly there will be imported into this country from the United States a very large quantity of cheap dresses and other garments, which will seriously affect garment manufacturers who buy their primary products from your Mills, and of necessity they must reduce their purchases of such products. It is also feared that the

permission given to Canadian visitors to the United States to bring back with them free of duty goods to the value of \$100.00 will develop into a serious menace to our merchants and indeed to the products of all Canadian Industries. Government restrictions on this type of business, in the opinion of your Directors, is far from adequate.

7. British manufacturers of textiles, in their ever-increasing efforts to capture the Canadian market are, we are satisfied, offering values that show them little, if any profit. All invoices covering imports bear a declaration by the shipper that the goods covered by said invoices are sold at a reasonable profit over and above cost. That these profits must be exceedingly small is indicated by the fact that those Lancashire Mills paying any dividends are few and far between.

8. The heavy reductions made in the duties on English yarns and cloths as revealed in the recent Budget are going to make it increasingly difficult to operate your Mills at a profit. These Tariff reductions, it appears, were made upon recommendations of the Tariff Board in an Interim Report. It is difficult to understand this action of the Tariff Board as the Canadian Cotton Manufacturers were given to understand that steps would be taken to verify the accuracy of English costs, as submitted to the Board, before bringing in their findings. The Cotton Manufacturers of Canada are satisfied that the new duties on Cottons and Rayons coming into this country from Britain do not cover the handicaps of the Industry, such as high wages, Excise Tax on raw Cotton and other materials used in the factories of Canada, high interest rates, high costs of machinery, etc.

In view of the foregoing you will not be surprised that your Directors view the future of your Company with considerable concern.

What the Canadian Textile Industry is greatly in need of is a period of rest from the following:—

1. Increasing taxation.
2. Tariff uncertainty.
3. Unfair competition from countries with lower living standards.
4. A fuller realization on the part of the Government and of the public that this Industry is one of the Country's most valuable assets in that it provides employment for tens of thousands of our citizens and through its large purchases of materials and supplies it adds very materially to the prosperity of many of our other key Industries. It should be noted also that the Textile Industry, through its very large use of raw materials and the shipping of the finished products of the Mills into every section of the country, both urban and rural, makes a very important contribution to the transportation system of Canada.

It is to be hoped that some day all our people will come to see that if our Industries prosper everyone shares in this prosperity. Industries that are continually operating on the verge of bankruptcy are unable to make any contribution to the development of the country.

Your Directors again wish to express their appreciation of the support given the Company during the year by a competent and loyal group of officers and employees.

The Books and Accounts of the Company have been duly audited, and the Auditor's Report is submitted herewith.

Respectfully yours,

A. O. DAWSON,
President.

Montreal, May 29th, 1936.

CANADIAN CO

BALANCE SHEET

YEAR ENDED

ASSETS

CURRENT ASSETS

Cash on Hand and in Bank.	\$183,065.62	
Open Accounts and Bills Receivable (Less Bad Debts Reserve).....	876,268.65	
		\$1,059,334.27

INVENTORY of Raw Cotton—Manufactured Stock and Supplies—Valued in each case at Cost or under and not above present Market Value.....		1,729,602.30
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INVESTMENTS — Dominion Government Bonds and Corporation Bonds and Shares at Cost (Market Value, \$2,977,-375.00).....		2,756,229.33
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TOTAL CURRENT ASSETS..... \$5,545,165.90

Shares in Subsidiary Companies.....		3.00
Prepaid and Deferred Charges—Insurance, Taxes, etc.....		66,717.23

CAPITAL ASSETS

Mills, Plants and Properties		
—At Cost.....	\$16,883,551.45	
Less: Depreciation.....	7,130,938.98	
		9,752,612.47
		<u>\$15,364,498.60</u>

Montreal, May 6th, 1936.

Audited and verified as per Certificate attached:

C. W. BAKER, Chartered Accountant (of Baker, Birnie & Co.).

TONS, LIMITED

SHEET

CH 31ST, 1936

LIABILITIES

CURRENT LIABILITIES

Open Accounts and Bills Payable.....	\$1,151,780.22
Reserve for Government Taxes.....	42,987.65
Owing to Subsidiary Companies.....	62,872.37

TOTAL CURRENT LIABILITIES.... \$1,257,640.24

SPECIAL RESERVES FOR:

Obsolescence.....	\$4,950,000.00	
Replacements.....	600,000.00	
Contingencies.....	200,174.06	
		5,750,174.06

CAPITAL STOCK

6% Preferred:		
Authorized \$4,500,000.00		
Issued.....	3,661,500.00	
Common:		
Authorized \$3,500,000.00		
Issued.....	2,715,500.00	
		6,377,000.00

SURPLUS—Earned..... 1,979,684.30

\$15,364,498.60

APPROVED:

A. O. DAWSON }
R. G. TOLMIE } *Directors.*

HUGH M. WATSON,
Secretary.

CANADIAN COTTONS, LIMITED

MANUFACTURING AND PROFIT AND LOSS STATEMENT

FOR YEAR ENDED MARCH 31ST, 1936

Profit from Operations after providing for Bad Debts, and Depreciation (\$800,- 000.00), but before Bond Interest and Government Taxes.....	\$ 260,266.45
ADD: Income from Investments.....	87,868.46
	<u>348,134.91</u>
DEDUCT:	
Bond Interest.....	\$ 20,670.75
Directors' Fees.....	7,950.00
Executive Salaries.....	52,320.00
Legal Fees and Expenses..	837.25
Contribution to Pension Fund.....	30,000.00
Reserve for Income Taxes	40,000.00
	<u>151,778.00</u>
Net Profit for the Year.....	\$ 196,356.91
Net Profit on Company's Bonds purchased for Redemption, and on Sale of Securities	26,457.25
	<u>222,814.16</u>
DEDUCT: Dividends Paid:	
6% Preferred Stock....	\$ 219,690.00
Common Stock.....	108,620.00
	<u>328,310.00</u>
Net Loss transferred to Surplus.....	105,495.84
Balance March 31st, 1935.....	2,085,180.14
Earned Surplus, March 31st, 1936.....	<u>\$1,979,684.30</u>

TO THE SHAREHOLDERS,

CANADIAN COTTONS, LIMITED.

I have examined the Books and Accounts of Canadian Cottons, Limited, for the year ended March 31st, 1936. I have verified the Cash in Bank and the Investment Securities and the Revenue therefrom.

I have obtained all the information and explanations required, and, in my opinion, the attached statements and balance sheet, based upon the certified Inventories presented, are properly drawn up so as to exhibit a true and correct view of the year's operations and of the state of the Company's affairs at its close, according to the best of my information and the explanations given to me and as shown by the books of the Company.

C. W. BAKER,

Chartered Accountant,

(of Baker, Birnie & Co.)

Montreal, May 6th, 1936.

CANADIAN COTTONS, LIMITED

Manufacture

DENIMS	COTTON TWEEDS
COTTONADES	COTTON SUITINGS
CASSIMERES	PANTINGS
COVERTS	BEDFORD CORDS
AUTOMOBILE FABRICS	WHIPCORDS
MATTRESS TICKINGS	
AWNING FABRICS	
SHIRTINGS	APRON GINGHAMS
GALATEAS	NOVELTY DRESS FABRICS
DRESS GINGHAMS	NURSES CLOTHS
CHAMBRAYS	RIPPLETES
ARTIFICIAL SILK FABRICS FOR DRESSES, LININGS AND LINGERIE	
FLANNELS	COLOURED FLANNELETES
BLEACHED FLANNELETES	MOTTLED INTERLININGS
NAPPED SHAKERS	SILENCE CLOTHS
TIE LININGS	EIDERDOWNS AND
NAPPED SHEETINGS	ROBE CLOTHS

COTTON BLANKETS

YARNS—UNBLEACHED, BLEACHED AND
COLOURED HOSIERY YARNS
WARP YARNS

EXCLUSIVE SPINNING RIGHTS IN CANADA FOR
VISTRA FIBRE—"SASE" YARNS.

